

Message Text

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PAGE 01 LONDON 11977 280018Z
ACTION EB-08

INFO OCT-01 EUR-12 EA-10 ISO-00 CAB-02 CIAE-00 COME-00
DODE-00 DOTE-00 INR-10 NSAE-00 FAA-00 L-03 SS-15
NSC-05 /066 W
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R 271733Z JUL 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 8595
INFO AMCONSUL HONG KONG

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E. O. 11652: N/A
TAGS: EAIR, UK, US, HK
SUBJECT: CIVAIR: HONG KONG CURRENCY PROBLEM

REF: STATE 188409 (NOTAL)

1. IN COURSE OF JULY 27 CONVERSATION WITH IAN BROWN OF U.K. DEPARTMENT OF TRADE, CIVAIR ATTACHE MENTIONED APPARENT MISUNDERSTANDING, CITED REFTEL, WITH RESPECT TO HONG KONG AIR TICKET PURCHASES. BROWN SAID THE UKG IS FULLY AWARE THAT TRAVELERS CAN CHANGE THEIR HONG KONG CURRENCY INTO U.S. CURRENCY AT THE MARKET RATE IN ORDER TO BUY TICKETS. THIS, HE SAID, PRESUMABLY INVOLVES A MINOR LOSS IN THE FORM OF AN EXCHANGE COMMISSION AND/OR THE SPREAD BETWEEN BUYING AND SELLING RATES. MORE IMPORTANTLY, HOWEVER, ACCORDING TO BROWN, THE HONG KONG AUTHORITIES ARE OFFENDED BY THE FACT THAT HONG KONG CITIZENS MUST CHANGE THEIR HARD HONG KONG DOLLARS INTO SOFT U.S. DOLLARS IN ORDER TO BUY AIR TRAVEL WITHOUT PENALTY. THEY TAKE IT AS A NATIONAL AFFRONT.

2. BROWN BELIEVES THAT SOLUTION WOULD BE SIMPLE.

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U.S. AIRLINES NEED ONLY FILE AMENDED TARIFFS GIVING HONG KONG DOLLAR FARES EQUIVALENT AT CURRENT MARKET EXCHANGE RATES TO THE U.S. DOLLAR FARES. BOTH U.K. AND HONG KONG AUTHORITIES RECOGNIZE THAT IN A FLOATING RATE WORLD EXACT PARITY WOULD BE ONLY MOMENTARY, AND THEY WOULD EXPECT FURTHER ADJUSTMENTS ONLY IF THE TWO FARE STRUCTURES (U.S. DOLLAR AND HONG KONG DOLLAR) AGAIN

BECAME SERIOUSLY OUT OF LINE.

3. PLEASE ADVISE IF FURTHER ACTION DESIRED.

BREWSTER

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Message Attributes

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